

ENVIRONMENTAL IMPROVEMENT FUND

Budget Summary							
Fund	2000-01 Base Year Doubled	2001-03 Governor	2001-03 Jt. Finance	2001-03 Legislature	2001-03 Act 16	Act 16 Change Over Base Year Doubled Amount	Percent
GPR	\$61,648,200	\$65,936,400	\$60,999,000	\$60,999,000	\$60,999,000	-\$649,200	- 1.1%
SEG	<u>8,000,000</u>	<u>12,000,000</u>	<u>16,200,000</u>	<u>16,200,000</u>	<u>16,200,000</u>	<u>8,200,000</u>	102.5
TOTAL	\$69,648,200	\$77,936,400	\$77,199,000	\$77,199,000	\$77,199,000	\$7,550,800	10.8%
BR		\$177,000,000	\$185,600,000	\$185,600,000	\$185,600,000		

FTE Position Summary

Positions for the Environmental Improvement Fund are provided
under the Departments of Administration and Natural Resources.

Budget Change Items

1. GENERAL OBLIGATION AND REVENUE BONDING AUTHORITY [LFB Papers 430 and 431]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
BR	\$177,000,000	\$8,600,000	\$185,600,000

Governor: Provide \$177 million in additional bonding authority for the clean water fund program, as follows: (a) increase general obligation bonding authority by \$65 million on the effective date of the biennial budget act, from \$552,743,200 to \$617,743,200; (b) increase general obligation bonding authority by an additional \$20 million on July 1, 2003, from \$617,743,200 to \$637,743,200; and (c) increase revenue bonding authority by \$92 million, from \$1,297,755,000 to \$1,389,755,000. No change is being requested in the general obligation bonding authority for the safe drinking water loan program, which is currently authorized \$26,210,000.

Joint Finance/Legislature: Provide the \$85 million in general obligation bonding authority on the effective date of the biennial budget act, instead of deferring authorization of

\$20 million of the amount until July 1, 2003, for total general obligation bonding authority of \$637,743,200. Provide an additional \$8,600,000 in revenue bonding authority, to provide \$1,398,355,000 in total revenue bonding authority.

[Act 16 Sections: 963 and 3168]

2. ENVIRONMENTAL IMPROVEMENT FUND DEBT SERVICE [LFB Papers 266 and 431]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$4,288,200	- \$4,937,400	- \$649,200
SEG	<u>4,000,000</u>	<u>4,200,000</u>	<u>8,200,000</u>
Total	\$8,288,200	- \$737,400	\$7,550,800

Governor: Provide a decrease of \$35,700 GPR in 2001-02 and an increase of \$4,323,900 GPR in 2002-03 for estimated increases in general fund debt service costs of general obligation bonds. This would include: (a) a decrease of \$881,300 in 2001-02 and an increase of \$2,986,200 in 2002-03 for clean water fund debt service, which would result in total general fund debt service of \$29.2 million in 2001-02 and \$33.0 million in 2002-03; and (b) \$845,600 in 2001-02 and \$1,337,700 in 2002-03 for safe drinking water loan program debt service, which would result in total general fund debt service of \$1.6 million in 2001-02 and \$2.1 million in 2002-03.

In addition, provide \$2,000,000 SEG annually from the clean water fund program to increase from \$4,000,000 to \$6,000,000 annually the amount of general obligation bond debt service paid by loan repayments received from municipalities from loans that were originally provided from the proceeds of general obligation bonds. Under current law, an equal amount of GPR would be used for general obligation bond debt service.

Joint Finance/Legislature: Provide an additional \$4,200,000 SEG in 2001-02 from the clean water fund program to increase from \$6,000,000 to \$10,200,000 the amount of general obligation bond debt service paid by loan repayments. Decrease by \$4,200,000 GPR in 2001-02 the amount of GPR that would be used for general obligation bond debt service.

Further, reestimate the general fund debt service costs of general obligation bonds as follows: (a) increase by \$73,500 GPR in 2001-02 and decrease by \$290,300 GPR in 2002-03 the amount for clean water fund debt service, which when combined with the additional use of SEG for general obligation bond debt service, would result in total general fund debt service of \$25.0 million in 2001-02 and \$32.7 million in 2002-03; and (b) decrease by \$360,300 GPR in 2001-02 and \$160,300 GPR in 2002-03 the amount for safe drinking water loan program debt service, which would result in total general fund debt service of \$1.3 million in 2001-02 and \$2.0 million in 2002-03.

3. PRESENT VALUE SUBSIDY LIMIT

Governor/Legislature: Provide a "present value subsidy limit" totaling \$110.01 million for the environmental improvement fund as follows: (a) \$90.0 million for the clean water fund program; (b) \$10.9 million for the safe drinking water loan program; and (c) \$9.11 million for the land recycling loan program. The subsidy limit represents the estimated state cost, in 2000 dollars, to provide 20 years of subsidy for the projects that would be funded in the 2001-03 biennium. The clean water fund program provides low-interest loans to municipalities for planning, designing, constructing or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban stormwater runoff control projects. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction or modification of public water systems. The land recycling loan program provides financial assistance to certain local governments for the investigation and remediation of contaminated (brownfields) properties.

[Act 16 Sections: 3165 thru 3167]

4. STATUTORY CHANGES [LFB Paper 433]

Governor: Provide for the following changes to the environmental improvement fund:

a. Reduce the threshold for allocating clean water funds based on a priority list. Currently, if the amount of present value subsidy, general obligation bonding authority or revenue bonding authority available for a biennium is 85% or less of the amount requested in the biennial finance plan prepared by DOA and DNR, funding is allocated on the basis of a priority list and funding may only be provided in a fiscal year to projects for which an application is submitted by the June 30 preceding that fiscal year. Under current law, if under the Governor's budget bill recommendation, the amount of present value subsidy, general obligation bonding authority or revenue bonding authority available for a biennium is 85% or less of the amount requested in the biennial finance plan, DNR is required to inform municipalities that, if the Governor's recommendations are approved, clean water fund assistance during a fiscal year of that biennium will only be available to municipalities that submit financial assistance applications by the June 30 preceding that fiscal year. The bill would reduce both thresholds to 75%. The bill's provision of \$65 million of general obligation bonding authority during 2001-03 would equal 59% of the \$110.12 million in general obligation bonding authority requested in the biennial finance plan. (The bill would provide an additional \$20 million in general obligation bonding authority on July 1, 2003, in the 2003-05 biennium.) The bill would provide 83.3% of the present value subsidy (\$90 million of the requested \$108 million) requested in the biennial finance plan.

b. Replace the clean water fund requirement that at least two-thirds of the flow for new sewage collection systems be from homes built prior to October 17, 1972, in order for the facilities to be eligible for low-interest financing, with a requirement that two-thirds of the flow

be from homes built prior to the date that is 10 years before DNR approved the facility plan for the project.

c. Eliminate the safe drinking water loan program requirement that a local government must submit a new notice of intent to apply for a safe drinking water loan if the local government does not apply for a loan by April 30 of the second year following the year in which it submitted its original notice of intent to apply. The bill would retain the current requirement that a local government must submit notice of its intent to apply for financial assistance under the safe drinking water loan program at least six months before the beginning of the fiscal year in which it intends to receive financial assistance, and would make the intent to apply deadline consistent in the safe drinking water loan program, clean water fund program and land recycling loan program within the environmental improvement fund.

Joint Finance/Legislature: Delete the statutory threshold for when a priority list must be implemented. Rather, require DNR and DOA to implement a priority list if the agencies determine that the amount of present value subsidy, general obligation bonding authority or revenue bonding authority proposed by the Governor or provided by the Legislature in the budget act is insufficient to provide funding for all projects for which applications will be approved during that biennium.

In addition, delete part (b) to maintain the current law requirement that at least two-thirds of the initial wastewater flow must be from residences that were in existence prior to October 17, 1972, in order for the wastewater treatment facility to be eligible for low-interest financing.

[Act 16 Sections: 3163, 3164, 3169 and 3170]

5. FEDERAL RURAL COMMUNITIES HARDSHIP GRANT PROGRAM

Joint Finance/Legislature: Modify the federal rural communities hardship grant program that is part of the clean water fund program as follows: (a) delete the current eligibility criterion that requires that on the date the municipality applies for assistance, the unemployment rate for the county in which the municipality is located exceeds by 1% or more the average yearly national unemployment rate most recently reported by the federal Bureau of Labor Statistics; and (b) specify that if federal financial hardship assistance is not fully allocated at the time the clean water fund financial hardship assistance funding list is published, DNR may accept an application for federal hardship assistance after June 30.

[Act 16 Sections: 3164j and 3164L]

6. LAND RECYCLING LOAN PROGRAM

Joint Finance/Legislature: Make the following changes in the land recycling loan program: (a) eliminate the requirement that applicants submit an intent to apply form by December 31 of the preceding fiscal year; (b) direct DNR to accept applications at least two times per year; (c) specify

that 40% of funds allocated in each fiscal year could be used for landfills; (d) allow applicants to use credit quality collateral other than general obligation bonds that will meet typical financial underwriting criteria to provide adequate security for land recycling loans; (e) clarify that demolition is an eligible activity under the program when a necessary part of remediation; and (f) direct DNR to provide loans for site assessments and site investigations, as allowed by US EPA, when a local government can demonstrate in its application that a remediation will be necessary.

Veto by Governor [B-38 and B-39]: Delete the requirement that DNR provide loans for site assessments and site investigations, as allowed by US EPA, when a local government can demonstrate in its application that a remediation will be necessary. Further, restore the requirement (that would have been deleted under the enrolled bill) that applicants submit an intent to apply form by December 31 of the preceding fiscal year.

[Act 16 Sections: 3168n and 3168r thru 3168v]

[Act 16 Vetoed Sections: 3168n thru 3168r]